

## Message Text

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PAGE 01 QUITO 00080 032300Z

62

ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 EB-07 AID-05 XMB-02 TRSE-00

COME-00 OMB-01 /028 W

----- 056450

R 032154Z JAN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 3897

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: EFIN, EC

SUBJECT: PRODUCTOS METALICOS ARMCO

REF: STATE 281291

1. EMBOFF QUERIED ING. RAMIRO SOTOMAYOR, GNERAL MANAGER OF SUBJECT FIRM, WHO SAID INTEREST IN LOAN FIRST AROSE FROM DISCUSSION WITH OPIC'S

TOM MANSBACH IN OCTOBER. SINE ECUADORAN INTEREST RATE ON LOCAL CURRENCY LOAN IS 14 PERCENT, OPIC RATE OF 10 PERCENT (ACCORDING SOTOMAYOR) WOULD HAVE RESULTED IN SAVING FOR COMPANY. AT SAME TIME, HE APPROACHED LOCAL FNCB OFFICIAL, WHO SUGGESTED THAT FIRM FLOAT BOND ISSUE.

2. ACCORDING SOTOMAYOR, SIDERURGICA EUCATORIANA HAS 20 PERCENT EQUITY IN PRODUCTOS METALICOS ARMCO, WHILE EUCADOREAN ARMY CORPS OF ENGINEERS

(COMMENT: ACTUAL AGENCY NAME IS DIRECCION DE INDUSTRIAS DEL EJERCITO- ARMY INDUSTRIES ADMINISTRATION) HAS 10 PERCENT, AND PRIVATESHAREHOLDER,

JORGE AYORA, HAS REAMINING 9 PERCENT. SINCE ARMCO STEEL CORP. DOES NOT WISH TO PROVIDE ENTIRE AMOUNT, AND OTHER PARTNERS ARE APPARENTLY RELUCTANT TO PUT UP THEIR SHARE FROM OWN FUNDS, FIRM HAD DECIDED TO SEEK OUTSIDE FINANCING.

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PAGE 02 QUITO 00080 032300Z

3. AS RESULT OF OUR QUERIES, EMBASSY SEES NO OVERRIDING REASON WHY

OPIC SHOULD APPROVE LOAN IF CONTRARY TO GENERAL POLICY. ARMY INDUSTRIES

ADMINISTRATION IS STILL NOT AWARE THAT OPIC LOAN WAS REQUESTED, AND THEREFORE CANNOT HAVE QUOTE STRONG INTEREST UNQUOTE IN OPIC APPROVAL. SECONDLY, PRESENT GOE POLICY IS TO LIMIT SIZE OF ANY LOAN WHICH MAY BE USED LOCALLY AS ANTI-INFLATIONARY MEANS OF RESTRICTING VOLUME OF MONEY IN PRIVATE HANDS. MINISTRY OF COMMERCE AND INDUSTRY WOULD HAVE TO APPROVE OUTSIDE LOAN, AND SOTOMAYOR SAYS HE HAS NOT ACTIVELY PURSUED

OPIC LOAN BECAUSE OF THIS CONTINGENCY. THIRDLY, ACCORDING TO FNCB OFFICIAL, INTEREST RATES IN ECUADOR HAVE BEEN DROPPING AND BANK WOULD BE WILLING TO PROVIDE DOLLAR LOAN - VICE BOND ISSUE - AT MAXIMUM 11 1/4 PER CENT COST TO FIRM (SUCRE RATE REMAINS 14 PERCENT). THERE IS NO SHORTAGE OF FUNDS FOR SMALL LOANS AS FAR AS FNCB CONCERNED.

IN SUM, COMPANY CAN OBTAIN LOCAL LOAN AT NO GREAT INCONVENIENCE.

4. FINALLY, ARMCO STEEL COPR. IS BIDDING WITH ARMY INDUSTRIES ADMINISTRATION TO BUILD NEW STEEL FACTORY ON TURN-KEY BASIS. WE DOUBT, HOWEVER, THAT OPIC DISAPPROVAL OF THIS LOAN WOULD HURT ARMCO'S CHANCES OF OBTAINING AWARD.

5. SOTOMAYOR WILL APPRECIATE HEARING FROM OPIC IN NEAR FUTURE ON THIS APPLICATION.  
BREWSTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BIOGRAPHIC INFORMATION, LOANS  
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**Copy:** SINGLE  
**Draft Date:** 03 JAN 1975  
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**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Original Handling Restrictions:** n/a  
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